



## Market Rule Amendment Proposal

### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00253-R00		
Subject:	Administrative Pricing		
Title:	Review of Administrative Pricing		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7	Appendix:	
Sections:	8.4A		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted to Technical Panel for Review	27 Feb 2004
2.0	Incorporate Technical Panel comments and post for stakeholder review and written comment.	3 March 2004
3.0	Submit for Technical Panel Consideration.	5 March 2004
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5.0	Incorporate Technical Panel comments and post for stakeholder review and written comment.	21 April 2004
6.0	Submitted to Technical Panel for Review and vote.	13 May 2004
7.0	Recommended by Technical Panel and Submitted for IMO Board Approval	2 June 2004
8.0	Approved by the IMO-Board	June 10, 2004
Approved Amendment Publication Date:	June 11, 2004	
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### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

#### Summary

Changes are proposed to the market rules regarding administrative pricing. The proposed changes have been developed in response to issues raised by market participants and the IMO regarding the existing application of administrative prices. The proposed changes include:

1. For administrative pricing events resulting from a market system planned/forced outage or the publication of incorrect prices:
  - Identify the guiding principle for establishing administered prices in these circumstances;
  - Allow for the “copy backward” of a market price and schedule from the “next good” dispatch interval as well as the existing “copy forward” of market price and schedule from the “last good” dispatch interval and a combination of the two;
  - Require the use of an average market price based on recent actual market prices if the administrative pricing event extends beyond the period for which the copy forward and copy backward mechanism can be used.
2. For administrative pricing events resulting from a market suspension, establish market prices either on the basis of recent historical average market prices or on the basis of prices determined using market systems.

These proposed changes are expected to result in a more transparent and predictable process for establishing administrative prices, as well as result in administrative prices that are more reflective of prices the market would have otherwise produced.

With these proposed changes and re-organization of the administrative pricing provisions necessary to improve reader understanding, it is proposed that the existing section 8.4 be deleted entirely and denoted as [Intentionally left blank] and be replaced by a new section 8.4A.

#### Background

The IMO administers prices when the market pricing mechanisms are not functioning normally. There have been a number of occasions when prices have been administered, such as during the market suspension resulting from the August 2003 blackout or, more typically, on occasions when market related systems fail or are on outage.

Market participants and the IMO have identified a number of issues associated with the administering of market prices during the blackout and at other times when administered prices were necessary. As a result of these issues, the IMO Board directed the IMO to undertake a review of existing administrative practices. The MR-00253 rule amendment proposals are the result of that review. The issues are detailed in the related amendment submission MR-00253-Q00 and accompanying strawman discussion paper. MR-00253-Q00 and the strawman can be found at:

[http://www.theimo.com/imoweb/pubs/mr/mr\\_00253-Q00.pdf](http://www.theimo.com/imoweb/pubs/mr/mr_00253-Q00.pdf)

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

#### Discussion

The proposed rule amendments enable the following approach regarding administrative prices under the alternative situations when the markets are not suspended and situations when the markets are suspended.

#### Situations when the IMO-Administered Markets are not Suspended

The need to administer prices under circumstances where the market is not suspended could arise when the IMO is unable to publish a market price due to market systems failure or planned outage or when published market prices are incorrect. The guiding principle under these circumstances is that the administered price should reflect, to the extent practical, prices that would otherwise have been produced by the market. Accordingly, when the IMO is unable to publish a market price for one or more dispatch intervals due to market systems failure or planned outage or when published market prices are incorrect, it is proposed that the IMO would administer prices as follows:

Set the administered price and market schedule for a given dispatch interval equal to the price and schedule from either:

- a) the closest preceding dispatch interval that has not been administered, up to a maximum of 24 dispatch intervals, i.e. “copy forward” from “last good” interval;
- b) the closest subsequent dispatch interval that has not been administered, up to a maximum of 24 dispatch intervals, i.e. “copy back” from “next good” interval;
- c) a combination of the closest preceding and closest subsequent *dispatch intervals* that have not been administered, provided that neither the preceding nor subsequent *dispatch intervals* are selected for more than 24 dispatch intervals [See proposed amendment section 8.4A.5.]; or
- d) When the need to administer prices extends beyond 48 dispatch intervals, the IMO would administer market prices (but there would be no market schedules) as an average hourly price (HOEP and/or operating reserve) for the relevant hour or hours for each business day and non-business day. The hourly average values would be determined from the most recent 4 business days and 4 non-business days, respectively. [See proposed amendment section 8.4A.6] Since there is no market schedule and, therefore, no congestion management settlement credits, market participants that follow dispatch instructions would be able to claim for their actual costs plus 10% if the administered prices do not provide adequate compensation. [See proposed amendment section 8.4A.9.]

The decision on which interval to use (“preceding” or “subsequent” in (a) or (b) above or the combination of (a) and (b) in (c) above) would be based on the IMO’s judgement as to which price would better meet the guiding principle (i.e. the price that would otherwise have been produced by the market).

The proposed changes would result in administrative prices that are more reflective of prices the market would have otherwise produced through the expanded use of the copying from previous or subsequent intervals and through the use of average prices from recent market activity. The proposed changes would also result in administrative prices that are more predictable through the use of average prices based on recent market activity.

#### Situations where the IMO-Administered Markets are Suspended

In circumstances that result in market suspension, the IMO may, as it determines appropriate, either (i) administer market prices equal to the same hourly average values used as described in d) above (i.e.

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based on prices of the most recent 4 business days and 4 non-business days), or (ii) when market operations are suspended for reasons other than a failure of market systems, use those market systems to determine a market price. [See proposed amendment section 8.4A.8.]

Because there would be no market schedule and, therefore, no congestion management settlement credits under the average pricing mechanism, market participants can claim additional compensation if they follow dispatch instructions and they can demonstrate to the satisfaction of the IMO that the administered price does not cover their incremental costs, plus 10% of those costs. [See proposed amendment section 8.4A.10]. This provision of “10% of costs” would replace the current “margin of profit at such fixed percentage as may be *published* by the *IMO Board*”, and is intended to contribute to recovery of market participant fixed costs (e.g. capital and fixed OM&A) that are not covered by the administered prices.

In addition to the above, the following amendments are also proposed:

Section 8.4.3 has been removed from the existing market rules. Section 8.4.3 only permits the application of administrative pricing in non-market suspension scenarios provided that:

- the IMO has access to dispatch data for the dispatch interval;
- market participants are able to submit revised dispatch data close to the administrative pricing event; and
- the IMO is able to dispatch resources on the basis of this dispatch data.

The original intent and premise of these conditions was that if they could not be met, the market would be suspended and the market suspension administrative pricing mechanism would be applied, under which market participants would have access to additional compensation provisions for complying with dispatch instructions. Market participants now have access to these additional compensation provisions whether or not the market is suspended. See sections 8.4A.9 through 8.4A.12. Also, market experience has demonstrated that the second of these conditions is not sufficient grounds for a market suspension, provided the other two conditions can be met. Accordingly, these provisions have been replaced by a simple statement within section 8.4A.5 that the IMO shall use the best available dispatch data when an administrative price is to be applied.

Parts of section 8.4.5.2a. have been removed from the existing market rules. Under this provision, when market operations are suspended for reasons other than a failure of market systems, the IMO may use those market systems and the IMO’s assessment of operating costs to determine an administrative price. Administering prices based on operating costs has never been used, nor is it expected to be used in future. It is judged to be both complicated and administratively difficult to implement, especially for something that would be so rarely used.

The guiding principle (that the administered price should reflect, to the extent practical, prices that would otherwise have been produced by the market) that applies under circumstances where the markets have not been suspended has been added as new section 8.4A.4.

Within the proposed new section 8.4A, provisions have been re-organized and grouped by subject matter, with headings to identify the subject matter to improve reader understanding.

So that there is no duplication of information between section 8.4A and section 13, Suspension of Market Operations, some sections from section 13 have been transferred to section 8.4A. Sections 13.5.1.4 and 13.5.2. have been deleted as they deal with the subject of determining administering prices during market suspension, a subject that is now captured in section 8.4A.8. [See MR-00253-R01].

As a result of the relocation of some sections and the deletion of others, section 8.4A now deals solely

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with administrative pricing, and section 13 now deals solely with the issues of market suspension.

Compensation formulas have been continued in section 8.4A.16 to provide greater clarity with respect to the calculations associated with permitted settlement adjustments. These calculations deal with circumstances where market participants may be eligible for an adjustment to settlement amounts arising from overcharging or underpayment under circumstance described in section 8.4A.15.

New sections 8.4A.13.2 and 8.4A.15.2 have been added to address potential circumstances whereby import offer guarantees may have compensated a market participant and hence no additional claims for settlement adjustments would be permitted.

A provision for a materiality limit has been added to sections 8.4A.13 and 8.4A.15 that would apply to market participant claims for settlement adjustments. Since these settlement adjustments have been permitted, market participants have been submitting numerous claims for extremely small amounts (i.e. less than \$1). The IMO believes that claims of such small size were not the intent of these settlement adjustment provisions, and that processing them within the IMO is not an efficient use of IMO and market resources. The IMO would establish a materiality limit for such claims in the applicable market manual comparable to the materiality limits established for local market power mitigation in market manual 2.12. Using similar reasoning, a materiality limit provision has also been added to section 8.4A.9 that deals with additional compensation for complying with dispatch instructions in the event of small claims arising under this provision.

An internal inconsistency between the definition of dispatch instruction and its use in sections 8.4A and 13 has been removed so that the definition now recognises its use in these sections. See MR-00253-R02.

Consequential changes resulting from the amendments have been made where required. Some editorial changes have been made so that intent is clear, but have been kept to a minimum.

Additional circumstances of market suspension have been added to section 13.2.4.2A. (the IMO-controlled grid breaks up into two or more electrical islands). This is believed to be a credible circumstance of market suspension not presently captured within the rules. (Please refer to MR-00253-R01)

The amendment submission MR-00253-Q00 discussed an option whereby the IMO would recalculate market prices and corresponding market schedules for the intervals in question when capable of doing so. This option is not captured within this amendment proposal since the IMO does not have this capability.

Due to the re-organization and re-numbering of the administrative pricing and market suspension provisions, a number of consequential amendments are necessary to market rules in Chapters 7, 9 and 11 and Appendix 7.5. Please refer to MR-00253-R02.

## PART 4 – PROPOSED AMENDMENT

**8.4 [Intentionally left blank]****8.4A Administrative Pricing and Corresponding Market Schedules - Revised**

- 8.4A.1 This section 8.4A applies only in respect of the establishment of *administrative prices* for the real-time *energy market* and the *operating reserve market*.
- 8.4A.2 The *IMO* shall establish *administrative prices* and, where applicable, corresponding *market schedules* when:
- 8.4A.2.1 the *energy market* or the *operating reserve market* has been suspended in accordance with section 13;
  - 8.4A.2.2 the *IMO* is unable to *publish* an *energy market price* or *operating reserve market price* in accordance with section 8.1.2 due to a failure in or *planned outage* of the software, hardware or communications systems that supports the operation of the *dispatch algorithm*; or
  - 8.4A.2.3 the *IMO* determines, pursuant to guidelines approved by the *IMO Board* relating to price error materiality and acceptable causal events, that a *published energy market price* or *operating reserve market price* is incorrect due to incorrect inputs which affected the outcome of the *dispatch algorithm*;
- and all such *administrative prices* shall be the *energy market price* and the *operating reserve market price* for the applicable *dispatch interval* for all purposes under these *market rules*.
- 8.4A.3 Where the *IMO* establishes *administrative prices* pursuant to section 8.4A.2 it shall do so within two *business days* of the event causing *market prices* to be administered. The *IMO* shall inform *market participants* as soon as practicable whenever a *published market price* is an *administrative price*.

**Administration of Prices Due to Failures or Planned Outages of Market Systems or Due to Publication of Incorrect Prices**

- 8.4A.4 In circumstances where *administrative prices* are required under sections 8.4A.2.2 or 8.4A.2.3, the *IMO* shall establish *administrative prices* and corresponding *market schedules* that would, to the extent practical, reflect the *market prices* and corresponding *market schedules* that would have otherwise been produced by the *real-time markets*, but for the event causing *market prices* to be administered.

- 8.4A.5 Where the *IMO* establishes *administrative prices* pursuant to sections 8.4A.2.2 or 8.4A.2.3 in respect of one or more *dispatch intervals*, it shall use the best available *dispatch data* for *energy* or *operating reserve*, as the case may be, pertaining to the *dispatch interval* to which the *administrative price* is to be applied and the *market prices* and corresponding *market schedule* for that *dispatch interval* shall be as the *IMO* determines appropriate consistent with the principle stated in section 8.4A.4, and shall be the *market price* and corresponding *market schedule* from:
- 8.4A.5.1 the closest preceding *dispatch interval* that has not been administered, up to a maximum of 24 *dispatch intervals*;
  - 8.4A.5.2 the closest subsequent *dispatch interval* that has not been administered, up to a maximum of 24 *dispatch intervals*; or
  - 8.4A.5.3 a combination of the closest preceding and closest subsequent *dispatch intervals* that have not been administered, provided that neither the preceding nor subsequent *dispatch intervals* are selected for more than 24 *dispatch intervals* and are applied in a continuous manner such that the *administrative price* chosen from the preceding *dispatch interval* shall apply until changed to the *administrative price* selected from the subsequent *dispatch interval*.
- 8.4A.6 Where the *IMO* establishes an *administrative price* pursuant to sections 8.4A.2.2 or 8.4A.2.3 the *IMO* shall, if the need for *administrative prices* extends beyond 48 *dispatch intervals*, establish *administrative prices* for the remaining *dispatch intervals* of the event causing *market prices* to be administered within the *IMO control area* and the *intertie zones*, using an average *HOEP* for the *energy market* and the hourly average of the *operating reserve* prices for the applicable *dispatch intervals* for the *operating reserve markets*, determined from the corresponding hour or hours from each of the 4 most recent *business days* or *non-business days*, as the case may be, excluding those hours from any day in which *administrative pricing* has been established under this section. Prices for the excluded hours shall be replaced by prices that have not been administered under this section from the corresponding hours of the most recent earlier *business days* or *non-business days*, as the case may be.
- 8.4A.7 Where the *IMO* establishes an *administrative price* for a *dispatch interval* pursuant to section 8.4A.6, there shall be no congestion management *settlement credit payments* made under section 3.5.2 of Chapter 9 for that *dispatch interval*.

### **Administration of Prices Due to Market Suspension**

- 8.4A.8 Where the *IMO* establishes *administrative prices* during a market suspension pursuant to section 8.4A.2.1, it shall establish the *administrative price* as one of the following, as the *IMO* determines appropriate:

- 8.4A.8.1 where *market operations* have been suspended for reasons other than a failure in the software that generates *market prices* and operations of the *IMO-controlled grid* are based to some extent on market-based information and signals, a *market price* calculated using that software; or
- 8.4A.8.2 where operations of the *IMO-controlled grid* are being conducted without regard to the market, for the *IMO control area* and the *inertie zones*, an average *HOEP* for the *energy market* and the hourly average of the *operating reserve* prices for the applicable *dispatch intervals* for the *operating reserve markets*, determined from the corresponding hour or hours from each of the 4 most recent *business days* or non-*business days*, as the case may be, excluding those hours from any day in which *administrative pricing* has been established under this section, and there shall be no congestion management *settlement* credit payments made under section 3.5.2 of Chapter 9 for the period of *market suspension*. Prices for the excluded hours shall be replaced by prices that have not been administered under this section from the corresponding hours of the most recent earlier *business days* or non-*business days*, as the case may be.

### Additional Compensation for Complying with Dispatch Instructions

- 8.4A.9 Where the *IMO* has established an *administrative price* pursuant to sections 8.4A.6 and 8.4A.8.2 and subject to any materiality limits published in the applicable *market manual*, a *market participant* that has complied with *dispatch instructions* issued by the *IMO* shall be entitled to additional compensation determined under section 8.4A.10 and the *IMO* shall recover any such compensation in accordance with section 4.8 of Chapter 9.
- 8.4A.10 The compensation referred to in section 8.4A.9 shall be calculated as the aggregate of:
- 8.4A.10.1 the fuel costs or, where applicable, the other costs referred to in section 8.4A.11, and the variable operating and maintenance costs incurred by the *market participant* in complying with the *dispatch instructions* issued by the *IMO*, which fuel costs or other costs and variable operating and maintenance costs shall be subject to verification and audit by the *IMO*; and
- 8.4A.10.2 subject to section 8.4A.11, an amount equal to 10% of the amount determined pursuant to section 8.4A.10.1,
- less the amount of the *administrative price* already paid or payable to the *market participant* under sections 8.4A.6 and 8.4A.8.2.
- 8.4A.11 Where the compensation referred to in sections 8.4A.9 relates to a *generation facility* that is energy limited by design or by bona fide contractual commitments,



the *IMO* may accept, in lieu of the costs referred to in section 8.4A.10.1, such assessment of the expected future value or the opportunity costs of the fuel or water consumed:

8.4A.11.1 during the period while *administrative prices* were in effect; and

8.4A.11.2 in order to comply with the *dispatch instruction* issued by the *IMO*;

as the *IMO* considers reasonable. Where such value or costs are submitted in lieu of the costs referred to in section 8.4A.10.1, no amount shall be payable pursuant to section 8.4A.10.2 if, in the *IMO*'s opinion, such value or costs include or adequately cover such amount.

8.4A.12 Any disputes concerning the additional compensation referred to in section 8.4A.9 shall be resolved using the dispute resolution process set forth in section 2 of Chapter 3.

### **Settlement Amount Adjustments Resulting from Administration of Prices Due to Failures or Planned Outages of Market Systems or Due to Publication of Incorrect Prices**

8.4A.13 Where the *IMO* has established an *administrative price* pursuant to section 8.4A.5, a *market participant* may, subject to any materiality limits published in the applicable *market manual*, be eligible for an adjustment to its *settlement amounts* if:

8.4A.13.1 that *market participant* has been assessed a negative hourly congestion management *settlement* credit pursuant to section 3.5 of Chapter 9 for any of the applicable *dispatch intervals*;

8.4A.13.2 no *intertie* offer guarantee that would offset that negative hourly congestion management *settlement* credit has been assessed for that *market participant* pursuant to section 3.8A of Chapter 9;

8.4A.13.3 the *market schedule* determined pursuant to section 8.4A.5 is carried forward or backward to another *dispatch hour* that is the *dispatch hour* to which the negative congestion management *settlement* credit referred to in section 8.4A.13.1 applies;

8.4A.13.4 the price and/or quantity values in the *dispatch data* submitted by the *market participant* are different in the *dispatch hour* from which the *market schedule* referred to in section 8.4A.13.3 was established compared to the *dispatch data* submitted by the *market participant* for the *dispatch hour* to which the negative congestion management *settlement* credit referred to in section 8.4A.13.1 applies;

8.4A.13.5 the *market participant* complied with the *dispatch instructions* issued by the *IMO* for the applicable *dispatch intervals*;

- 8.4A.13.6 the negative hourly congestion management *settlement* credit referred to in section 8.4A.13.1 arose strictly due to the circumstances outlined in section 8.4A.13.3 through 8.4A.13.5; and
- 8.4A.13.7 the *market participant* issues to the *IMO* a *notice of disagreement* in accordance with section 6.6 of Chapter 9 providing evidence that the circumstances outlined in section 8.4A.13.1 through 8.4A.13.6 have occurred.
- 8.4A.14 If the *market participant*, pursuant to section 8.4A.13, has demonstrated to the satisfaction of the *IMO* that circumstances outlined in section 8.4A.13.1 through 8.4A.13.6 have occurred, the *IMO* shall, in accordance with section 6.6 of Chapter 9, adjust the *market participant's settlement amounts* by an amount to offset the negative hourly congestion management *settlement* credit referred to in section 8.4A.13.1.
- 8.4A.15 Where the *IMO* has established an *administrative price* pursuant to section 8.4A.5, a *market participant* may, subject to any materiality limits published in the applicable *market manual*, be eligible for additional compensation if:
- 8.4A.15.1 the *market participant* has been assessed an hourly net *energy market settlement* credit for a *dispatchable facility* or *boundary entity* that represents either an underpayment or overcharge, as the case may be, when comparing the *administrative price* used for determining the hourly net *energy market settlement* credit to the *market participant's* applicable *offer* or *bid* price;
- 8.4A.15.2 no *intertie* offer guarantee that would offset that underpayment has been assessed for that *market participant* pursuant to section 3.8A of Chapter 9;
- 8.4A.15.3 no hourly congestion management *settlement* credit that would offset that overcharge or underpayment has been assessed for that *market participant* pursuant to section 3.5 of chapter 9;
- 8.4A.15.4 the *market schedule* determined pursuant to section 8.4A.5 is carried forward or backward to another *dispatch hour* that is the *dispatch hour* to which the hourly net *energy market settlement* credit referred to in section 8.4A.15.1 applies;
- 8.4A.15.5 the price and/or quantity values in the *dispatch data* submitted by the *market participant* are different in the *dispatch hour* from which the *market schedule* referred to in section 8.4A.15.4 was established compared to the *dispatch data* submitted by the *market participant* for the *dispatch hour* to which the above hourly net *energy market settlement* credit applies referred to in section 8.4A.15.1;
- 8.4A.15.6 the *market participant* complied with the *dispatch instructions* issued by the *IMO* for the applicable *dispatch intervals*;

8.4A.15.7 the hourly net *energy market settlement* credit referred to in section 8.4A.15.1 and the resulting overcharge or underpayment arose strictly due to the circumstances outlined in section 8.4A.15.4 through 8.4A.15.6; and

8.4A.15.8 the *market participant* issues to the *IMO* a *notice of disagreement* in accordance with section 6.6 of Chapter 9 providing evidence that the circumstances outlined in section 8.4A.15.1 through 8.4A.15.7 have occurred.

8.4A.16 If the *market participant*, pursuant to section 8.4A.15 has demonstrated to the satisfaction of the *IMO* that circumstances outlined in section 8.4A.15.1 through 8.4A.15.7 have occurred, the *IMO* shall, in accordance with section 6.6 of Chapter 9, adjust the *market participant's settlement amounts* by the following amount to offset the overcharge or underpayment, referred to in section 8.4A.15.1, as the case may be.

#### **Dispatchable Generator and Import:**

$$\text{Compensation} = (-1) * \text{OP}(\text{EMP}_h^{m,t^*}, \text{AQEI}_{k,h}^{m,t^*}, \text{BE})$$

#### **Where:**

$t^*$  = *metering interval* of administrative price period

$\text{EMP}_h^{m,t^*}$  is the administrative price in the metering interval  $t^*$  of settlement hour  $h$

OP is the profit function as described in Chapter 9, Section 3.5.2

#### **Dispatchable Load and Export:**

$$\text{Compensation} = \text{OP}(\text{EMP}_h^{m,t^*}, \text{AQEW}_{k,h}^{m,t^*}, \text{BL})$$

#### **Where:**

$t^*$  = *metering interval* of administrative price period

$\text{EMP}_h^{m,t^*}$  is the administrative price in the metering interval  $t^*$  of settlement hour  $h$

OP is the profit function as described in Chapter 9, Section 3.5.2

### **Conditions to Cease the Administration of Prices**

8.4A.17 The *IMO* shall cease to apply *administrative prices*:

8.4A.17.1 where section 8.4A.2.1 applies, from the commencement of the first *dispatch interval* in the *dispatch hour* referred to in section 13.7.1.2;

- 8.4A.17.2 where section 8.4A.2.2 applies due to a failure in software, hardware or communications systems, from the commencement of the first *dispatch interval* after the failure referred to in that section has been rectified;
- 8.4A.17.3 where section 8.4A.2.2 applies due to a *planned outage* of software, hardware or communications systems, from the commencement of the first *dispatch interval* after the *planned outage* referred to in that section has been completed; and
- 8.4A.17.4 where section 8.4A.2.3 applies, from the commencement of the first *dispatch interval* after the incorrect inputs referred to in that section have been corrected.

**PART 5 – IMO BOARD COMMENTS**

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## Market Rule Amendment Proposal

### PART 1 – MARKET RULE INFORMATION

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See MR-00253-R00
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**PART 4 – PROPOSED AMENDMENT**

## 13. Suspension of Market Operations

### 13.1 Introduction

13.1.1 The *IMO* may, or may be required to, suspend the operation of all or part of the *IMO-administered markets* in accordance with this section 13. For purposes of this section 13, unless otherwise noted the term “*market operations*” shall mean the operation of all or part of the *IMO-administered markets*.

13.1.2 This section 13 sets forth the procedures the *IMO* must follow in:

13.1.2.1 determining whether to declare a suspension of *market operations*;

13.1.2.2 ~~directing~~ ~~managing~~ the ~~operation of the *IMO-controlled grid system*~~ during suspension of *market operations*; and

13.1.2.3 restoring *market operations* once the conditions triggering suspension are eliminated.

13.1.3 This section 13 also sets forth the requirements that *market participants* must meet immediately prior to, during, and immediately after a suspension of *market operations*.

### 13.2 Market Suspension Events

13.2.1 Subject to section 13.3, the *IMO* may suspend *market operations* if it determines that any of the conditions described in section 13.2.4 exists or is imminent.

- 13.2.2 ~~As soon as practical the *IMO* Any suspension of *market operations* invoked pursuant to this section 13 shall be notified as soon as practicable to~~ shall notify the *IMO Board*, the *OEB* and relevant government authorities of any suspension of *market operations* pursuant to this section 13.
- 13.2.3 Upon receipt of the notification referred to in being notified under section 13.2.2, the *IMO Board* may determine whether to continue the suspension or to resume normal *market operations* under such conditions as the *IMO Board* may specify.
- 13.2.4 The *IMO* may suspend *market operations* in the event of:
- 13.2.4.1 ~~*market operations cannot be continued in a normal manner due to a failure in the software, hardware or communications systems that support market operations renders it physically impossible to continue market operations in a normal manner, described in section 13.5.2;*~~
- 13.2.4.2 a major blackout;
- 13.2.4.2A the *IMO*-controlled grid breaks up into two or more electrical islands;
- 13.2.4.3 an *emergency* situation requiring the *IMO* to evacuate its principal control centre and move to a backup control centre, under conditions and subject to the requirements of Chapter 5; or
- 13.2.4.4 a declaration of an emergency by the Premier of Ontario or a direction from the *Minister* to the *IMO* or to a *market participant* to implement an *emergency preparedness plan*.

### 13.3 Insufficient Reasons for Market Suspension

- 13.3.1 Notwithstanding section 13.2.4, the *IMO* may suspend *market operations* in response to an ~~unforeseen~~ event described in that section only if the *IMO* determines that its ability to operate the *IMO-administered markets* in accordance with these *market rules* has become substantially impaired.
- 13.3.2 The *IMO* shall not suspend *market operations* solely because:
- 13.3.2.1 the *market price* has reached positive or negative *MMCP*; or
- 13.3.2.2 some load has been *curtailed*.

### 13.4 IMO Declaration of Market Suspension

- 13.4.1 Only a declaration by the *IMO* may suspend *market operations*. If the *IMO* declares a suspension of *market operations*, the *IMO* shall:
- 13.4.1.1 immediately notify *market participants*; and

- 13.4.1.2 issue to *market participants* a market suspension notice via such means as the *IMO* determines will ensure timely notification, informing *market participants* of the nature and scope of the suspension and its expected duration, if known.
- 13.4.2 Any suspension of *market operations* shall commence at the start of the next *dispatch* after the *IMO* makes the declaration, unless the *IMO* suspends *market operations* to protect or restore *reliability*, in which case the suspension shall commence at the time the *IMO* makes the declaration.
- 13.4.3 The *IMO* may not declare a retroactive suspension of *market operations*.

## 13.5 IMO Responsibilities During Market Suspension

- 13.5.1 While a suspension of *market operations* is in effect, the *IMO* shall:
- 13.5.1.1 prescribe and apply procedures for restoring and maintaining *reliable* operation of the *electricity system* and restoring *market operations* as rapidly as practical, consistent with the safety of persons and *facilities*;
- 13.5.1.2 endeavour to continue use of normal market information, scheduling and pricing procedures to the extent practical;
- 13.5.1.3 prescribe and apply *administrative prices* in accordance with section 8.4A.8~~and settlement rules to the extent that use of normal market pricing functions is not practical~~;
- 13.5.1.4 ~~[Intentionally left blank] operate an emergency market if the IMO determines that market mechanisms would assist the IMO in obtaining the resources and services it needs to continue reliable operations~~;
- 13.5.1.5 provide timely information to *market participants* concerning the reasons for the suspension and efforts by the *IMO* to resume normal *market operations*; and
- 13.5.1.6 issue directions, through market suspension advisory notices to *market participants*, that will enable the *IMO* to continue *reliable* operations, continue non-suspended *market operations* and resume normal *market operations* as soon as practical.
- 13.5.2 ~~[Intentionally left blank] If the IMO suspends market operations because a failure in the software, hardware or communications systems that support market operations renders it physically impossible to continue market operations in a normal manner, the IMO:~~
- 13.5.2.1 ~~[Intentionally left blank] shall, if normal market operations are impossible for less than two hours, as far as practical determine~~



~~schedules, dispatch instructions and prices using the most recent bids and offers submitted by market participants; and~~

13.5.2.2 ~~[Intentionally left blank] may, if normal market operations are impossible for more than two hours, set administrative prices and determine schedules for dispatching facilities and boundary entities without regard to the market participants' bids and offers.~~

## 13.6 Participant Responsibilities and Compensation

13.6.1 If the IMO suspends *market operations*, each market participant shall:

13.6.1.1 comply with the IMO's market suspension advisory notices and any other directions issued by the IMO;

13.6.1.2 conduct their operations and interactions with the IMO in a manner consistent with such advisory notices and directions; and

13.6.1.3 upon resumption of normal *market operations*, resume normal operations and interactions with the IMO pursuant to these *market rules*.

13.6.2 The IMO may issue *dispatch instructions* while a suspension of *market operations* is in effect and shall compensate *market participants* for following these *dispatch instructions* based on *administrative prices* established in accordance with section 8.4A.810 rather than on market-determined prices.

13.6.3 ~~[Intentionally left blank] To the extent that the administrative prices referred to in section 13.6.2 do not adequately compensate a market participant for complying with the IMO's dispatch instructions, the IMO shall provide to the market participant additional compensation determined in accordance with section 13.6.3A and shall recover any such compensation in accordance with section 4.8 of Chapter 9.~~

13.6.3A ~~[Intentionally left blank] The compensation referred to in section 13.6.3 shall be calculated as the aggregate of:~~

13.6.3A.1 ~~[Intentionally left blank] the fuel costs or, where applicable, the other costs referred to in section 13.6.3B, and the variable operating and maintenance costs incurred by the market participant in complying with the IMO's dispatch instructions, which fuel costs or other costs and variable operating and maintenance costs shall be subject to verification and audit by the IMO; and~~

13.6.3A.2 ~~[Intentionally left blank] subject to section 13.6.3B, an amount representing a margin of profit at such fixed percentage as may be published by the IMO Board;~~

~~less the amount of the *administrative price* already paid or payable to the *market participant* pursuant to section 13.6.2.~~

13.6.3B ~~[Intentionally left blank]Where the compensation referred to in section 13.6.2 relates to a *generation facility* that is energy limited by design or by *bona fide* contractual commitment, the *IMO* may accept, in lieu of the fuel costs referred to in section 13.6.3A.1, such assessment of the expected future value or the opportunity costs of the fuel consumed:~~

13.6.3B.1 ~~[Intentionally left blank]during the period while *administrative prices* were in effect; and~~

13.6.3B.2 ~~[Intentionally left blank]in order to comply with the *IMO's dispatch instructions*;~~

~~as the *IMO* considers reasonable. Where such value or costs are submitted in lieu of the fuel costs referred to in section 13.6.3A.1, no amount shall be payable pursuant to section 13.6.3A.2 if, in the *IMO's* opinion, such value or costs include or adequately cover such amount.~~

13.6.4 ~~[Intentionally left blank]Any disputes concerning the additional compensation referred to in section 13.6.3 shall be resolved using the dispute resolution process set forth in section 2 of Chapter 3.~~

## 13.7 Ending and Reporting on Market Suspension

13.7.1 The *IMO* shall monitor the conditions which triggered the suspension of *market operations* and, subject to any decision or direction that the *IMO Board* may have given pursuant to section 13.2.3, shall issue a market advisory notice declaring the end of the suspension:

13.7.1.1 as soon as the *IMO* determines that normal *market operations* are possible and will maintain *reliable* system operations; and

13.7.1.2 indicating the *dispatch hour* for which normal *market operations* are to resume, providing at least one hour advance notice.

The *IMO* may, if circumstances warrant and in order to resume normal *market operations* as soon as possible, issue a market advisory declaring the end of the suspension prior to ~~notifying the *IMO Board* pursuant to issuing the notice specified in~~ section 13.2.2.

13.7.2 The *IMO* shall, immediately following the end of the suspension of *market operations*, begin a review of events leading to and occurring during the suspension. The *IMO* may require *market participants* to submit information regarding their operations immediately prior to and during the suspension and to assist the *IMO* in analysing the suspension.

- 13.7.3 Within 10 *business days* following the resumption of normal *market operations*, the *IMO Board* shall provide to all *market participants*, the *OEB* and relevant government authorities a preliminary report describing:
- 13.7.3.1 the circumstances that triggered suspension of *market operations*;
  - 13.7.3.2 the steps taken by the *IMO* during the period of suspension to ensure *reliable* operations and remedy the causes of the suspension;
  - 13.7.3.3 the actions of *market participants* during the suspension; and
  - 13.7.3.4 any conclusions or recommendations for avoiding similar suspensions in the future.
- 13.7.4 The *IMO Board* shall provide a final report containing information in the nature of that described in section 13.7.3 to *market participants* and the public as soon as it is practicable to do so.
- 13.7.5 If the *IMO Board* determines that one or more corrective measures by *market participants* are warranted to avoid the recurrence of a suspension of *market operations*, the *IMO* may direct the affected *market participants* to implement the corrective measures and the affected *market participants* shall implement the corrective measures as soon as practicable.
- 13.7.6 A *market participant* directed by the *IMO* to implement corrective measures under section 13.7.5 may apply for compensation from the *IMO* where compliance with the *IMO's* direction results in costs or damages to the *market participant*.
- 13.7.7 Any disputes regarding the compensation referred to in section 13.7.6 shall be resolved using the dispute resolution process set forth in section 2 of Chapter 3.

## PART 5 – IMO BOARD COMMENTS

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## Market Rule Amendment Proposal

### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00253		
Subject:	Administrative Pricing		
Title:	Review of Administrative Pricing		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapters:	7, 9 and 11	Appendix:	
Sections:			
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted to Technical Panel for Review	27 Feb 2004
2.0	Incorporate Technical Panel comments and post for stakeholder review and written comment.	3 March 2004
3.0	Submit for Technical Panel Consideration.	5 March 2004
4.0	Submitted to Technical Panel for Review	15 April 2004
5.0	Incorporate Technical Panel comments and post for stakeholder review and written comment.	21 April 2004
6.0	Submitted to Technical Panel for Review and vote.	13 May 2004
7.0	Recommended by Technical Panel and Submitted for IMO Board Approval	2 June 2004
8.0	Approved by the IMO-Board	June 10, 2004
Approved Amendment Publication Date:	June 11, 2004	
Approved Amendment Effective Date:	July 26, 2004	

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

Consequential changes are necessary to Chapters 7, 9 and 11 as a result of the renumbering of section 8.4 to section 8.4A. Also, the definition of dispatch instructions is revised to be consistent with its applications in sections 8.4A and 13 of Chapter 7.

**PART 4 – PROPOSED AMENDMENT**

Chapter 7: System Operations and Physical Markets

## 1.6 Planned Outages for Maintenance and Upgrades of IMO-Administered Markets Software, Hardware and Communication Systems

.....

1.6.3 If a *planned outage* referred to in section 1.6.1 is expected to result in a disruption to normal market operations, the *IMO* shall notify all *market participants* of the expected disruption and shall specify any required alternative procedures that will be in effect for the duration of the disruption. These alternative procedures shall be designed so as to permit normal market operations to the greatest extent practicable. These alternative procedures may include, but are not limited to:

1.6.3.1 Submission of *dispatch data* by an alternate means and/or in an alternative form pursuant to section 3.2.2; and

1.6.3.2 Establishment of administrative pricing pursuant to section 8.4A.

...

## 6.4 Market Schedules and Market Prices

6.4.1 Subject to section 8.4A the *IMO* shall, within five minutes after the end of each *dispatch interval*, use the *dispatch algorithm* to determine a *market schedule* and *market prices* for that *dispatch interval* based on the most recent *real-time schedule* for such *dispatch interval*.

| 6.4.2 Subject to section 8.4<sup>A</sup> for the purpose of determining the *market schedule* and *market prices* for any *dispatch interval*, the *IMO* shall use the same information and data used for determining the *real-time schedule* for that *dispatch interval*, except that:

...

## 6.5 Publication of Real-Time Schedule Information

| 6.5.1A Subject to section 8.4<sup>A</sup>, for each *registered facility* that is a *dispatchable load facility* or a *dispatchable generation facility* in respect of which a valid *bid* or *offer* has been submitted for the applicable *dispatch hour*, the *IMO* shall, within one hour after each *dispatch hour*, release to each *registered market participant* the *market schedule* for their *registered facilities* for each *dispatch interval* of that *dispatch hour*.

| 6.5.2 Subject to section 8.4<sup>A</sup> the *IMO* shall, in the five minute period after the end of each *dispatch interval*, release to all *market participants* the uniform *market prices* of *energy* and *operating reserves* related to that *dispatch interval*.

...

| 6.5.4 Subject to section 8.4<sup>A</sup>, for each *registered facility* that is a *boundary entity* in respect of which the *dispatch instructions* for a given *dispatch hour* provides for the *dispatch* of more than 0 MW or for a reduction to 0 MW relative to the previous *dispatch hour*, the *IMO* shall, as soon as practical and consistent with relevant *reliability standards*, but no later than the start of the *dispatch hour* to which it relates, release the following information for each such *registered facility* only to the *registered market participant* for that *registered facility*:

...

## 8.1 Purpose and Timing of Determining Market Prices

| 8.1.2 Subject to section 8.4<sup>A</sup>, the *IMO* shall determine and *publish market prices* for *energy* and *operating reserve* in accordance with sections 8.2 and 8.3 within five minutes after the end of each *dispatch interval*, as provided in section 6.4.

...

## Appendix 7.5: The Market Clearing and Pricing Process

### 3. The Market Scheduling and Pricing Process

#### 3.1 Modes of Operation

.....

- 3.1.2 Section 3.1.1.4 shall not apply if market operations have been suspended or *administrative prices* have been applied pursuant to section 8.4~~A~~.2.2 of this Chapter. In such cases, the *generation facility* and *dispatchable load facility* initial condition inputs used to calculate the first *market schedule* determined from the first *dispatch interval* in the *dispatch hour* referred to in section 13.7.1.2 or from the *dispatch interval* referred to in section ~~8.4.6.28.4A.17.2~~ of this Chapter 7, as the case may be, shall be the output levels of *generation facilities* and *dispatchable load facilities* from the last *dispatch interval* of the last corresponding *market schedule* and pricing solution solved, with corresponding modifications to the initial ramp rates to reflect the maximum amount of ramping possible during the *dispatch intervals* for which no *market schedules* were produced.

...

Chapter 9: Settlements

#### 4.8 Additional Non-Hourly Settlement Amounts

- 4.8.1 The *IMO* shall, at the end of each *energy market billing period*, recover from *market participants*, on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*, the following amounts:

...

- 4.8.1.4 any compensation paid in that *energy market billing period* by the *IMO* pursuant to section ~~13.6.38.4A.9~~ of Chapter 7;

...

Chapter 11: Definitions

1.1.13 *administrative price* means a price established by the *IMO* in the circumstances referred to and in accordance with section 8.4A of Chapter 7;

1.1.1.100 *dispatch instructions* means in respect of a *registered facility* other than a *boundary entity*, a physical operating instruction issued by the *IMO* either in the real-time dispatch process or in those dispatch intervals when administrative prices were applied pursuant to section 8.4A of Chapter 7 or the IMO-administered markets are suspended pursuant to section 13 of Chapter 7, and, in respect of a *registered facility* that is a *boundary entity*, the interchange schedule pertaining to that *registered facility*;

**PART 5 – IMO BOARD COMMENTS**

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